

Message Text

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PAGE 01 MANILA 07486 020833Z

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ACTION EA-06

INFO OCT-01 SS-14 ISO-00 INR-05 SP-02 PRS-01 L-01 EB-03

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4014

C O N F I D E N T I A L MANILA 7486

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, EINV, RP

SUBJECT: MOBIL GOES 60-40

REF: (A) STATE 074707; (B) MANILA 4417

1. ON MAY 27 MOBIL OIL AGREED TO SELL THREE PERCENT OF ITS HOLDINGS IN BATAAN REFINING COMPANY ' BRC) TO PHILIPPINE NATIONAL OIL CO. (PNOC). BY SO DOING, MOBIL REDUCED ITS SHARE TO FORTY PERCENT, POTENTIALLY CURED ONE OF THE MAJOR IRRITANTS IN A STRAINED RELATIONSHIP AND SOLVED BOTH FORESHORE LEASE AND BRC LAND OWNERSHIP PROBLEMS. AS PART OF THE DEAL, MOBIL AND PNOC ARE WORKING OUT THE TERMS OF A SHAREHOLDERS AGREEMENT TO PROTECT MOBIL'S MINORITY RIGHTS.

2. THE PRICE, PEGGED TO THE ORIGINAL PRICE PER SHARE AGREED IN EXON'S SALE TO PNOCN WAS REPORTED TO BE \$1.187 MILLION.

3. TO RESOLVE ITS OTHER LAND OWNERSHIP PROBLEMS, MOBIL MARKETING COMPANY OPTED TO DONATE ITS LAND AND LEASE IT BACK, THE OPTION CHOSEN BY MANY OTHER U.S. FIRMS.

4. COMMENT: PERHAPS STILL KICKING AND SCREAMING, MOBIL HAS MADE THE BEST CHOICE OPEN FOR STAYING IN
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PAGE 02 MANILA 07486 020833Z

BUSINESS. MOBIL MAY BE ABLE TO LIVE WITH THE NEW BRC

ARRANGEMENT FOR THE INDEFINITE FUTURE, BUT THE MARKETING
SECTOR HAS NOT IMPROVED AND PROSPECTS ARE THAT LACK OF
PROFITABILITY MAY EVENTUALLY DICTATE SALE OF BOTH
REFINERY AND MARKETING INTERESTS. EVEN WITH RECENT PRICE
INCREASES, MOBIL CAN ANTICIPATE FURTHER LOSSES IN ITS
PHILIPPINE MARKETING OPERATIONS (EXCEPTING CRUDE SALES).
PURNELL

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NNN

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